

Message Text

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51

ACTION TRSE-00

INFO OCT-01 EUR-12 EA-06 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 IO-10 L-02 H-02 PA-01 PRS-01 USIA-06 NEA-09

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P R 280753Z APR 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 2712

INFO AMEMBASSY CANBERRA

AMEMBASUY OTTAWA

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGANE

AMEMBASSY BONN

AMEMBASSY HELSINKI

AMEMBASSY TOKYO

AMEMBASSY LONDON

AMEMBASSY BERN

AMEMBASSH THEHAGUE

AMEMBASSY OSLO

AMEMBASSY ROME

AMEMBASUY STOCKHOLM

-EMBASSY WELLINGTON 1422

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E.O. 11652- ADS, JECLAS 4/28/76

TAGS: EAID, EFIN

SUBJECT: ADF II DONOR MEETING APRIL 25

USADB

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SUMMARY: IN OPENING STATEMENT PRESIDENT INOUE EMPHASIZED PRELIMINARY NATURE OF MEETING TO CONSIDER REPLENISHMENT OF ASIAN DEVELOPMENT FUND (ADF) WITH NO CONCLUSIONS OR COMMITMENTS EXPECTED AS RESULT OF DELIBERATIONS. SIR JOHN CHADWICK, SERVING AS ADB ADVISOR FOR REPLENISHMENT EFFORT, STRESSED IN FOLLOW-UP REMARKS NECESSITY OF COMPLETING DELIBERATIONS BY EARLY FALL WITH RESOLUTION TO BOARD OF GOVERNORS AT THAT TIME THEREBY ALLOWING FOR MEMBER GOVT ACTION IN 1976. SEVERAL GOVERNMENTS EXPRESSED SUPPORT FOR \$1 BILLION ADF TARGET AS WELL AS PROPOSED COUNTRY SHARES, E.G., AUSTRALIA, CANADA, AND THE U.K. JAPAN PLEDGED COMMITMENT TO ONE-THIRD TOTAL REPLENISHMENT BUT STATED THAT \$1 BILLION TARGET SEEMED RATHER LARGE. FRG EXPRESSED RESERVATIONS SIZE THEIR IMPLIED SHARE \$1BILLION TARGET. NUMEROUS COUNTRIES, NOTABLY CANADA, FRG, SWITZERLAND, U.K, AND U.S., URGED BANK TO SEEK ADDITIONAL SOURCES CONCESSIONAL LENDING FUNDS FROM OPEC CAPITAL EXPORTING COUNTRIES. FINALLY, U.S. REP. MADE POINT U.S. CONSIDERING CHANGING MULTI-YEAR COMMITMENT PROCEDURE TO YEAR BY YEAR EFFORT WHICH STIMULATED STRONG REACTION FROM SEVERAL DONORS, E.G. CANADA, FRG, AND U.K. LATTER IN PARTICULAR STRESSED ISSUE OF GREAT MAGNITUDE WITH FAR-RACHING IMPLICATIONS FOR FUTURE FUNDING OF ALL IFIS AND NOT JUST THAT OF ADB. CRITICAL THAT U.S. CLARIFY POSITION YEAR BY YEAR APPROACH AS WELL AS CONSULT WITH CONGRESS PRIOR TO NEXT DONORS' MEETING SCHEDULED JUNE 24-25 IN EITHER GENEVA OR ZURICH. END SUMMARY.

1. PRESIDENT INOUE EMPHASIZED MEETING WAS TO SEEK PRELIMINARY REACTION TO BANK'S PROPOSALS. CHADWICH EXPRESSED HOPE THAT ALL GOVERNMENTS COULD CONSULT WITH PARLIAMENTS SO THAT RATHER FIRM CONCLUSIONS COULD BE REACHED BY END OF JUNE AT SECOND DONOR MEETING THEREBY ENABLING BOARD OF GOVERNORS TO ACT UPON REPLENISHMENT RESOLUTION BY Q3 AND SEPTEMBER ALLOWING MEMBER COUNTRIES TO INITIATE REPLENISHMENT IN 1976. CHADWICH NOTED TWO FACTORS OF CONSIDERABLE IMPORTANCE WITH RESPECT TO TARGET LEVEL, TIMING AND RELATIVE SHARES: (A) U.S. INABILITY TO PARTICIPATE IN REPLENISHMENT UNTIL FY 1975 (END CALENDAR YEAR 1976) AND ITALY'S STILL PENDING LIMITED OFFICIAL USE

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PARTICIPATION IN ADF I AND (B) EXPECTED NON-PARTICIPATION OF SWEDEN, FRANCE AND AUSTRIA IN ADF II.

2. FOURTEEN ADF I DONORS (IN ORDER OF SPEAKERS: AUSTRALIA, FINLAND, U.K. , U.S., FRG, CANADA, ITALY, DENMARK, SWITZERLAND, JAPAN, NEW ZEALAND, THE NETHERLANDS AND NORWAY) REPRESENTED. SWEDEN ATTENDED AS OBSERVER.

3. AUSTRALIA, U.K. AND CANADA STATED STRONG SUPPORT FOR \$1BILLION TARGET FIGURE AS WELL AS SUGGESTED SHARES. MOST SPAAKERS, EXPRESSING GENERAL SUPPORT FOR REPLENISHMENT EFFORT BASED ON MULTILATERAL BURDEN-SHARING, EMPHASIZED THAT EXTENT OF PARTICIPATION DEPENDENT UPON THAT OF OTHER DONORS, I.E., U.S. JAPAN AND ITALY IN PARTICULAR INDICATED RESERVATION ABOUT SIZE OF REPLENISHMENT TARGET, REPLYING THEY PREFERRED REDUCED LEVEL ALTHOUGH JAPAN MADE COMMITMENT TO PROVIDE ONE-THIRD TOTAL AMOUNT. (JAPAN NOTED PRIVATELY THEY CONSIDER \$1 BILLION TARGET TOO LARGE AND WOULD HAVE DIFFICULTIES IN PROVIDING ONE-THIRD THAT AMOUNT, PREFERRED INSTEAD A REPLENISHMENT IN RANGE OF \$750-850 MILLION.) U.S. NOTED SIMILAR RESERVATIONS RE TARGET FIGURE. FRG INDICATED WILLINGNESS TO INCREASE ITS SHARE BY 50 PERCENT. NETHERLANDS, WITHOUT QUESTIONING TARGET FIGURE, OBJECTED TO SIZE OF ITS SHARE. SWISS PROPOSED THAT REGIONAL/NON-REGIONAL SHARE BE ALTERED FROM SUGGESTED 40/60 TO 45/55 SPLIT. SWISS DELEGATES INDICATED, IN SUBSEQUENT INFORMAL DISCUSSION, THAT INTENTION WAS FOR ADDITIONAL REGIONAL INCREMENT TO BE MET BY AUSTRALIA.

4. FRG RAISED QUESTION OF STEPS ADB TAKING TO INVOLVE NEW DONORS, I.E. OPEC CAPITAL EXPORTING COUNTRIES. CANADA, SWITZERLAND, U.S. AND U.K. STRONGLY SUPPORTED POINT WITH U.K. STRESSING THAT OPEC PARTICIPATION SHOULD BE ON SAME MULTILATERALLY NEGOTIATED TERMS AS THOSE APPLYING OTHER DONORS. CANADA VIGOROUSLY ENCOURAGED BANK TO INVITE OPEC MEMBERS TO NEXT DONOR MEETING CITING AFDP SUCCESS IN ATTRACTING SAUDI CONTRIBUTION. CHADWICK RAISED POSSIBILITY GOVERNORS' MISSION TO OPEC COUNTRIES, HEADED BY MEMBER WITH LINKS TO OPEC, E.G. INDONESIA.

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5. U.S. REP EXPRESSED DIFFICULTIES OBTAINING MULTI-YEAR COMMITMENT AND RAISED POSSIBILITY THAT U.S. MIGHT PROCEED ON YEAR BY YEAR BASIS WHICH, WHILE LESS RIGID COMMITMENT, WOULD IN NO WAY DIMINISH U.S. CONTRIBUTION TO OR SUPPORT FOR ADF II. CANADA AND FRG REACTED STRONGLY, STATING THAT ANY CHANGE TO YEAR BY YEAR COMMITMENT ON PART U.S. WOULD VASTLY INCREASE THEIR DIFFICULTIES IN OBTAINING MULTI-YEAR COMMITMENTS. U.K. EMPHASIZED THAT ISSUE RAISED WAS OF FAR GREATER MAGNITUDE THAN ADF II REPLENISHMENT SINCE IT FOCUSED ON BASIC TENET OF RESOURCE MOBILIZATION EFFORTS FOR ALL IFIS, NOTING THAT ISSUE MUST BE RESOLVED IN OTHER MORE APPROPRIATE FORUM.

6. BANK TO PROVIDE MEETING SUMMARY ASAP. CHADWICK

SCHEDULED TO CONSULT INDIVIDUALLY WITH MEMBER GOVERNMENTS ON PARTICIPATION AMOUNTS, BEGINNING IN EARLY MAY. BANK STRESSED NEED FOR ALL GOVERNMENT CONSULTATIONS BE COMPLETED PRIOR TO SCHEDULED JUNE 24-25 MEETING SO THAT GENERAL AGREEMENT MAY BE APPROACHED ON AMOUNTS AND SHARES AT THAT TIME. NOTE IN THIS RESPECT THAT MANY DONOR COUNTRIES, IN PARTICULAR THE FRG, WISH EARLY RESOLUTION TO REPLENISHMENT EFFORT IN ORDER TO PROVIDE ITEM FOR BUDGET IN EARLY FALL.

7. COMMENT: IN POST-MEETING DISCUSSIONS, CONVERSATION FOCUSED EXCLUSIVELY ON U.S. REFERENCE TO YEAR BY YEAR REPLENISHMENT EFFORT. MANY DONORS FELT U.S. SIGNALLING DESIRE TO CHANGE TO YEAR BY YEAR REPLENISHMENT COMMITMENT PROCEDURE FOR ALL IFIS. IN PARTICULAR SEVERAL DONORS AS WELL AS BANK CONSIDERABLY ALARMED SINCE THEY UNAWARE ANY EVIDENCE THAT CONGRESSIONAL ATTITUDES RE MULTI-YEAR COMMITMENTS HAD SIGNIFICANTLY CHANGED. HENCE IT APPEARS TO THEM THAT STIMULUS FOR CHANGE STEMS FROM EXECUTIVE BRANCH U.S. GOVT WHICH, IN THEIR OPINION, OMINOUS INDEED FOR FUTURE FUNDING OF ALL IFIS, LET ALONE ADB.

8. IN VIEW SEVERITY ABOVE ISSUE, OBVIOUS NEED TO IMMEDIATELY SORT OUT U.S. POSITION WITHIN EXECUTIVE BRANCH PRIOR TO CONGRESSIONAL CONSULTATIONS RE ADF LIMITED OFFICIAL USE

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II -- WHICH MUST BE COMPLETED BY MID-JUNE IF ADF II REPLENISHMENT TO BE APPROVED BY GOVERNORS BY EARLY FALL.
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